

Message Text

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ACTION EUR-12

INFO OCT-01 EA-07 IO-11 ISO-00 AID-05 CEA-01 CIAE-00

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FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC PRIORITY 688

INFO ALL EC CAPITALS PRIORITY 1789

AMEMBASSY BERN

AMEMBASSY CANBERRA

AMEMBASSY MADRID

AMEMBASSY OTTAWA

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

USMISSION USUN NY

C O N F I D E N T I A L EC BRUSSELS 2295

E.O. 11652: GDS

TAGS: OECD, EEC, ENRG

SUBJECT: TOUR D'HORIZON, CIEC PROGRESS AND OBJECTIVES WITH EC
COMMISSION AND PRESIDENCY OFFICIALS

REF: LUXEMBOURG 220

1. SUMMARY: DURING AMBASSADOR'S LUNCHEON FOR SENIOR EC COMMISSION
AND LUXEMBOURG PERMREP OFFICIALS CONCERNED WITH THE CIEC,
BOSWORTH SUMMARIZED CURRENT US VIEWS OF THE SITUATION. POINTS MADE B
Y

EC REPS INCLUDED: IT WILL BE HARD TO KEEP THE DISCUSSION AT THE
GENERAL INFORMATION ANALYSIS LEVEL IN THE PERIOD PRIOR TO UNCTAD
SINCE THE NINETEEN WILL HAVE TO BRING SOME INDICATION OF CIEC
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PROGRESS TO NAIROBI; THE GROUP OF EIGHT WILL HAVE TO BALANCE

CONCESSIONS IT MAKES IN RAW MATERIALS AND DEVELOPMENT AGAINST POSSIBLE GAINS IN FINANCE AND ENERGY; AND IT IS HARD FOR THE EC TO USE THE OECD AS A COORDINATING BODY. THERE WAS GENERAL AGREEMENT THAT CLOSE COOPERATION BETWEEN THE US AND THE EC WOULD BE REQUIRED IN THE COMING MONTHS. END SUMMARY.

2. IN CONNECTION WITH A TRIP TO THE IEA GOVERNING BOARD MEETING IN PARIS MARCH 4, BOSWORTH, DIRECTOR EB/FSE, TOOK THE OCCASION TO VISIT BRUSSELS AND TO MEET AT THE AMBASSADOR'S RESIDENCE WITH SENIOR EC OFFICIALS DEALING WITH THE CIEC. EC GUESTS INCLUDED LUXEMBOURG PERMREP DONDELINGER; COMMISSION DIRECTOR GENERAL FOR EXTERNAL RELATIONS HIJZEN; CONROT AND WILLIAMS, CO-HEADS OF EC DELEGATION TO THE ENERGY COMMISSION; WEYLAND AND LOEFF, CO-HEADS OF EC DELEGATION TO THE RAW MATERIALS COMMISSION, AND MISCHO, CO-HEAD OF EC DELEGATION TO THE DEVELOPMENT COMMISSION.

3. BOSWORTH LED OFF WITH AN OVERVIEW OF US REACTIONS TOWARDS THE FIRST SESSION. HE SAID ALL IN ALL WE WERE PLEASED WITH THE RESULTS, PARTICULARLY IN THE ENERGY COMMISSION WHERE COORDINATION AMONG THE EIGHT HAD BEEN ESPECIALLY SMOOTH. HE SAID SO FAR IT HAD BEEN POSSIBLE TO KEEP THE ATMOSPHERE BETWEEN THE EIGHT AND THE NINETEEN NON-CONTENTIOUS AND WORK-MANLIKE. WE HAD SUCCEEDED IN OUR PRIMARY GOAL OF AGREEMENT THAT THE FIRST STEP SHOULD BE AN ANALYSIS OF THE CURRENT SITUATION, TRENDS, ETC. IN THE AREAS OF INTEREST TO EACH COMMISSION.

4. BOSWORTH SAID THAT IN PREPARING AND COORDINATING THE MARCH MEETING AND BEYOND WE MUST BEGIN TO CLARIFY OUR VIEWS ON SUCH QUESTIONS AS THE RELATIONSHIP BETWEEN UNCTAD AND CIEC; WHETHER ALL OR PART OF CIEC SHOULD ACQUIRE A PERMANENT ROLE; HOW AND WHEN COMMISSIONS ARE TO PERFORM THEIR FUNCTION OF FACILITATING WORK IN OTHER FORA, ETC. IT IS STILL TOO EARLY TO ANSWER MOST OF THESE QUESTIONS BUT WE MUST BEGIN TO TREAT THEM. OF THESE THE MOST URGENT IS THE CIEC-UNCTAD RELATIONSHIP. THE US VIEW ON THIS QUESTION IS THAT WE SHOULD ATTEMPT TO KEEP CIEC IN ITS CURRENT GENERAL ANALYSIS PHASE UNTIL AFTER UNCTAD, DEFERRING OUR DECISION ON CIEC ENERGIZING MECHANISMS, ETC. THIS MAKES SENSE BOTH IN TERMS OF UNCTAD AND CIEC ITSELF.

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5. LOEFF SAID HE RECOGNIZED THE PROBLEM OF BEING MANEUVERED INTO MAKING CONCESSIONS BOTH AT CIEC AND AT UNCTAD BUT HE FEARED IT WOULD BE IMPOSSIBLE TO STALL THE CIEC OPERATION THROUGH MARCH AND APRIL UNTIL UNCTAD. THIS WAS PARTICULARLY TRUE WITH RESPECT TO RAW MATERIALS WHERE A GENERALIZED DISCUSSION WHICH AVOIDED TALKING ABOUT SPECIFIC COMMODITIES WAS ALMOST IMPOSSIBLE TO SUSTAIN FOR SO LONG A PERIOD. MORE IMPORTANTLY, HOWEVER, LOEFF BELIEVES THAT IT WILL BE NECESSARY TO GET INTO SPECIFICS

BEFORE UNCTAD BECAUSE THE NINETEEN WILL HAVE TO GO TO NAIROBI WITH SOMETHING TO SHOW ITS CONSTITUENTS FROM THE 77. IF THE NINETEEN DO NOT HAVE ANYTHING TO BRING TO NAIROBI, LOEFF FEARS THE 77 WILL BE DISILLUSIONED BY THE CIEC OPERATION AND PARTICULARLY DISILLUSIONED ABOUT THE REAL COMMITMENT BY THE INDUSTRIAL WORLD TO IN FACT COME UP WITH MEANINGFUL PROPOSALS IN ANY FORA. IF THIS WERE THE CASE ONE COULD EXPECT THEM TO PLAY UNCTAD BY THE OLD RULES, PUSHING THEIR TRADITIONAL DEMANDS AND NOT WILLING TO ENGAGE IN USEFUL DIALOGUE.

6. A GENERAL DISCUSSION ENSUED ON THE BALANCE THAT MIGHT REASONABLY BE STRUCK AT THE CIEC BETWEEN CONCESSIONS BY THE EIGHT AND THE NINETEEN IN THE FOUR COMMISSIONS. WILLIAMS SAID THAT IN ENERGY HE BELIEVED THAT REALISTICALLY WE COULD ONLY CONSIDER OURSELVES TO BE IN A DAMAGE LIMITING OPERATION. HE BELIEVED THAT AT BEST WE COULD COME OUT OF THE ENERGY COMMISSION WITH SOME STATEMENT OF GENERAL PRINCIPLES ON PRICES. ANOTHER OUTCOME COULD BE A COMMITMENT BY THE OPEC TO ENGAGE IN DISCUSSIONS WITH THE DEVELOPED WORLD PRIOR TO ANY DECISION ON A PRICE CHANGE. HE ALSO THOUGHT IT MIGHT BE POSSIBLE TO ACHIEVE SOME NEBULOUS ASSURANCES FROM OPEC ABOUT NO MAJOR SUPPLY DISRUPTIONS. WILLIAMS ADDED THAT IF THERE WAS NOT SUFFICIENT PROGRESS IN THE OTHER THREE COMMISSIONS, THEN THE ENERGY COMMISSION COULD REALLY TURN SOUR AND WE WOULD HAVE A PROBLEM ON OUR HANDS. (WILLIAMS LATER TOLD US PRIVATELY THAT HE HAD PAINTED A DELIBERATELY MINIMALIST PICTURE OF WHAT COULD BE EXPECTED IN THE ENERGY COMMISSION TO IMPRESS UPON HIS OWN COLLEAGUES THE NEED TO COME FORWARD WITH SUBSTANTIVE PROPOSALS OF VALUE TO THE LDC'S SO AS TO PERMIT MEANINGFUL RESULTS ON ENERGY.)

7. HIJZEN NOTED THAT WHATEVER BALANCE IS STRUCK WE MUST RECOGNIZE THAT THE EIGHT WILL FIND THEMSELVES FORCED TO MAKE CONFIDENTIAL

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CONCESSIONS IN DEVELOPMENT AND RAW MATERIALS COMMISSIONS IN ORDER TO GET SATISFACTORY OUTCOMES IN THE COMMISSIONS ON ENERGY AND FINANCE.

8. ALL PARTICIPANTS AGREED ON THE NECESSITY OF BEGINNING TO FOCUS ON COORDINATION NOT ONLY IN EACH OF THE COMMISSIONS BUT ON OUR OVERALL OBJECTIVES, AND HOW TO FIND A BALANCE AMONG THE FOUR. (WILLIAMS TOLD US LATER THAT COMMISSION WAS STARTING TO WORK ON SUCH AN OVERALL STRATEGY PAPER.) DONDELINGER MADE A SPECIAL PLEA AGAINST RELYING TOO HEAVILY ON THE OECD AS THE LOCUS FOR THESE COORDINATIONS. HE POINTED OUT THAT FOR THE EC PARTICIPANTS PARTICULARLY, WHO MUST COORDINATE FIRST AMONG THEMSELVES AND THEN WITH THE OTHERS OF THE EIGHT, THERE WAS SIMPLY NOT TIME IN PARIS TO ADD ON THE ADDITIONAL LAYER OF SERIOUS COORDINATION WITH THE OECD. HOWEVER, HE SAID HE WOULD HAVE

NO OBJECTION TO MEETINGS OF BACKSTOP GROUPS 10 DAYS OR SO BEFORE THE COMMISSION MEETINGS. IN FACT, THESE COULD BE USEFUL. WHAT HE OBJECTED TO WAS MEETINGS IN THE OECD DURING OR JUST BEFORE THE PERIOD THE COMMISSIONS WERE IN SESSION.

THE AMBASSADOR AND BOSWORTH ACKNOWLEDGED THE EC INTERNAL PROBLEM BUT EMPHASIZED THAT JUST AS THE NINETEEN HAVE A RESPONSIBILITY VIS-A-VIS THEIR CONSTITUENTS IN THE 77, SO THE EIGHT HAVE A RESPONSIBILITY VIS-A-VIS THE OTHER INDUSTRIALIZED COUNTRIES. THIS CAN BE MOST EASILY FULFILLED IN THE OECD CONTEXT. WHILE WE DID NOT WISH TO BE SEEN AS DOCTRINAIRE ON THE POINT OF CONSULTING IN THE OECD, WE DID WISH TO USE THE OECD MECHANISM WHERE IT DID IN FACT PROVIDE AN EFFECTIVE FRAMEWORK FOR CONSULTATION. IN THIS REGARD, AMBASSADOR AND BOSWORTH STRESSED IMPORTANCE OF FORTHCOMING MEETING OF XCSS AS PRIME OPPORTUNITY FOR SUCH CONSULTATION.

9. IN SUMMING UP, THE AMBASSADOR SAID ONE THING WAS CLEAR. NEITHER THE US, THE COMMUNITY NOR THE OTHERS OF THE EIGHT HAD YET CLEARLY THOUGHT THROUGH WHAT OUR OBJECTIVES IN THE CIEC WERE. IT WAS ESSENTIAL THAT IF WE WERE TO PUT ON A SUCCESSFUL SHOWING AT THE CIEC WE WOULD HAVE TO COORDINATE CLOSELY AMONG OURSELVES BEFORE EACH OF US BECAME WEDDED TO HIS OWN POSITION. HE ACKNOWLEDGED THAT THERE WERE MANY AREAS WHERE THE US AND THE EC DID NOT SEE EXACTLY EYE TO EYE, BUT THERE WERE ALSO MANY AREAS WHERE OUR INTERESTS AT LEAST IN GENERAL

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TERMS CONVERGED. THE ESSENTIAL POINT WAS TO INSURE THAT WE COORDINATE SUFFICIENTLY WELL AMONG OURSELVES TO AVOID SURPRISES WHICH COULD BE EXPLOITED TO OUR MUTUAL DISADVANTAGE.

GDS. HINTON

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